THE UNIVERSITY OF CHICAGO
1891 · THE FIFTIETH ANNIVERSARY · 1941

# ROUND TABLE

AUG 11 1941
WOMAN'S COLLEGE
UNIVERSITY OF NORTH CAROLINA

A RADIO DISCUSSION OF

# DEFENSE:

## Who'll Pay the Piper?

D
410
U7
no. 177-181

BLOCH · LEPAWSKY · SMITH

389th BROADCAST IN COOPERATION WITH THE NATIONAL BROADCASTING COMPANY · 177

AUGUST 3, 1941

The University of Chicago

# ROUND TABLE

*Published weekly. 10 cents a copy; five copies, 25 cents; full-year subscription, 52 issues, two dollars. Published by the University of Chicago, Chicago, Illinois. Entered as second-class matter January 3, 1939, at the post office at Chicago, Illinois, under the Act of March 3, 1879.*

**No. 177**

## NOTE

*The supplementary information contained in the footnotes to the following text, developed by staff research, is not to be considered as representing the opinions of the* ROUND TABLE *speakers. Following the transcript of the broadcast are questions which readers may wish to use for analysis and discussion. It is hoped that teachers and discussion leaders may find this additional service of the* ROUND TABLE *transcript helpful in their study of the subject discussed in the broadcast.*

# DEFENSE:
## Who'll Pay the Piper?

### A UNIVERSITY OF CHICAGO ROUND TABLE BROADCAST*

●

HENRI SIMON BLOCH, Research Assistant in Government Finance, Social Science Research Committee, Member of Staff, Institute of Military Studies, University of Chicago

ALBERT LEPAWSKY, Lecturer in Political Science, University of Chicago; Executive Director, Federation of Tax Administrators

HAROLD D. SMITH, Director, Bureau of the Budget, Executive Office of the President, Washington, D.C.

* A radio discussion broadcast from the University of Chicago, over the Red Network of the National Broadcasting Company, Sunday, August 3, 1941, at 1:30 P.M., Central Daylight Saving Time.

The ROUND TABLE, oldest educational program continuously on the air, is broadcast entirely without a script. Subjects are chosen because of their social, political, or economic significance. The program has no "ax to grind." In the selection of speakers, the effort is to provide a balanced discussion by participants who have special competence and knowledge. The opinion of each speaker is his own and in no way involves the responsibility of either the University of Chicago or the National Broadcasting Company.

# DEFENSE:
## Who'll Pay the Piper?

•

*During May of this year the United States spent $19,375 a minute for national defense. From the smoking factories of industrial America roll trucks and trains sagging under the weight of cannon and safety pins, tanks and stop watches, flags and uniforms, and bullets and superbombs. America is arming at top speed.*

*In Washington conference rooms legislators and experts are studying the tax bills designed to repay the government for the billions being laid on the line for defense.*

*Who'll pay the piper? What new problems in national finance have become Washington headaches? Can taxation parallel government spending? Do the experts think it should? What are the dangers of deficit financing? Is inflation here, near, or impossible?*

*To answer these and many other questions related to national-defense finance—during half an hour in which Uncle Sam would spend half a million dollars for defense—the University of Chicago* ROUND TABLE *invited three economists to its microphone to discuss "Defense: Who'll Pay the Piper?"*

•

MR. LEPAWSKY: These figures on the rate of defense expenditures certainly give us the distinction of being the most expensive ROUND TABLE the University of Chicago has ever put on the air.

To these money costs, however, might have been added blood and sweat and toil and tears and also fears—fears about whether our system can "take it" economically and fiscally.

One-third of our millions of listeners, those living on the eastern seaboard, tonight and every night thereafter will see their 100,000 gasoline service stations shut down from 7:00 P.M. to 7:00 A.M.[1] One-half of our listeners, the fairer half, are already worried about their silk stockings.[2] A price-control law is now being drafted,[3] and an unprecedented tax bill has just been reported out of committee. The Vice-President of the United States, the other day, was put in control of all economic defense on a vast international scale.[4]

Smith, as budget director of the United States, you have to budget for all these detailed expenditures for defense. How does the program look from your end of the picture?

MR. SMITH: I am not certain that it is very important to know how much we are spending every minute. It seems to me that in underlining this program we ought to recognize that we are up against a very difficult situation—a situation that has changed very considerably since we talked about depression fiscal problems.

We have now adopted the policy not only of defending ourselves but of providing an arsenal for the democracies of the world; for all

---

[1] *Secretary Ickes requested gasoline stations in the East to close, but no machinery was established to enforce closure or penalize operators who remained open. Reports following the first night of the curfew indicated many small operators and several chains of stations remained open despite the order.*

[2] *On August 1 the Office of Production Management ordered processing of silk to stop at midnight, August 2. The order, issued by Edward R. Stettinius, priorities director, was reported to involve the employment of more than 100,000 workers.*

[3] *Measures to control prices were announced in Washington as a result of government concern over current trends.*

[4] *Henry A. Wallace was made head of a board to guide the activities of federal agencies in economic defense, which includes the secretaries of State, Treasury, War, Navy, Agriculture, and Commerce, and the Attorney-General.*



447239

of those who believe in freedom and who wish to live as they desire to live under the forms of government chosen by them. It seems to me that *that* is the important thing with which to underline these budget figures.

MR. LEPAWSKY: In other words, the policy has been decided for us. Congress and the American people have called the tune, and now we are discussing the means of paying the piper.

Bloch, you have seen the experience of European countries at firsthand. Can you tell us, in a general way, how they have dealt with problems of this kind?

MR. BLOCH: I realize through hard experience in France how a nation was conquered because it was not prepared. I am certainly very happy to be able to participate in a discussion which will help to clarify what efforts are necessary to preserve our freedom.

MR. LEPAWSKY: And we are glad to have you here.

There have been many questions sent to us during the past week from thousands of ROUND TABLE listeners. We have selected five questions that have been repeated in this correspondence, and we would like to attempt to answer them.

VOICE: *If you say we are spending $19,375 a minute, just for how long, gentlemen, are we going to continue to spend so much money, and how big will the total bill be?*[5]

MR. LEPAWSKY: Well, that question may be answered in terms of annual expenditures, because no one knows how long this program will have to go on. Can you give us some figures on that, Bloch?

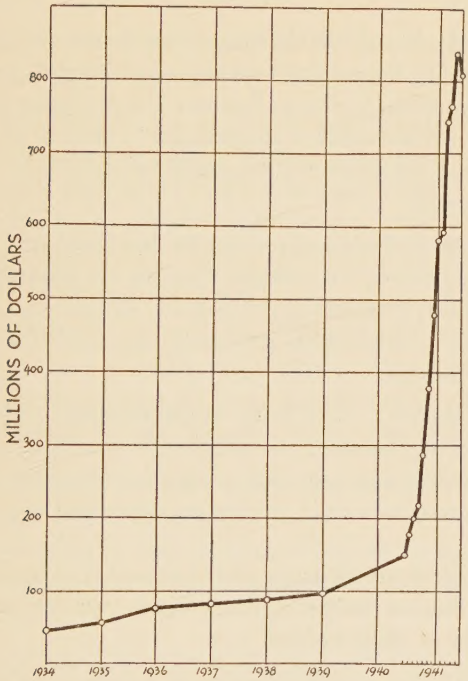
MR. BLOCH: In January, 1941, the President announced that appropriations and authorizations totaled about $29,000,000,000. Well, by now they have reached about $50,000,000,000; and we

---

[5] *In May, 1941, with a month's total of $837,000,000 spent on defense, the government was spending $19,375 a minute every day of the month.*

# U.S. ARMS EXPENDITURES: 1934–41

[MONTHLY AVERAGES, 1934–40]




SOURCE: U.S. TREASURY BULLETIN, JULY, 1941

expect annual expenditures of about $17,000,000,000 during this fiscal year.

MR. SMITH: Those are appropriations and authorizations rather than expenditures. The expenditures for national defense as of June 30, 1941, were approximately $6,300,000,000.

MR. LEPAWSKY: Now, that is not enough to carry on this vast defense program when the other side is spending so many billions more.

My understanding is that the Germans are spending $30,000,-

000,000 a year for defense, as far as we can estimate; and, in addition, they are taking $20,000,000,000 more from the countries they have conquered.

MR. BLOCH: It is a fact that the Germans are mobilizing their entire economy. In former wars nations could predict more or less how much they had to spend; in this war it is necessary to mobilize what is called the "economic war potential"—that is, all the sweat and the tears and the blood of the population and all the wealth the resources can yield.

MR. SMITH: As I pointed out, for the last fiscal year we actually spent $6,300,000,000 for defense; but we are planning, in this present fiscal year, to spend approximately $17,000,000,000. Now, as I understand it, the English are spending approximately half of their national income.[6]

MR. LEPAWSKY: That is my understanding; and the Canadians are spending between one-third and one-half;[7] and we, of course, are not anywhere near that proportion but hope to be in the near future, as soon as we can step up retooling and re-employment to the limit.

Can you give us an estimate of the actual cost of some of the items on that famous budget of yours which you are drafting and redrafting daily in Washington?

MR. SMITH: I am afraid I can't give you very definite figures, but obviously it costs billions of dollars to build ships and guns and munitions of all sorts; to build great plants, loading plants for powder and for the production of powder.

MR. LEPAWSKY: I understand a good-sized bomber alone costs half a million dollars. I understand we are raising money for 9,000,000 pairs of military shoes, 33,000,000 pieces of under-

---

[6] *National income in Great Britain has been estimated at $30,000,000,000 for 1940.*

[7] *Canadian national income in 1940 totaled $5,680,000,000.*

wear, and 63,000,000 pairs of socks. These are mere illustrations of the magnitude of the defense program, which we have indicated may cost from $50,000,000,000 up.

VOICE: *Where are we going to get the money to pay for this huge defense program, gentlemen? Won't we go broke paying for it?*

MR. LEPAWSKY: The answer to that is that we are not going to pay for it with the money, really. We are going to pay for it with work and with sweat and maybe with tears.

Smith, you know something about this business of production and the national income. Would you give us an idea of how that works in actual statistical terms?

MR. SMITH: In the first place, I don't think we are going broke at the rate we are spending in proportion to our national income. We are nowhere reaching the proportions being spent in other countries. In addition to that, I prefer the freedom of going broke.

MR. BLOCH: I certainly agree with you on that, Smith. I'd rather be broke than conquered.

Now, if we have to start paying for that effort, there are different ways of doing it. Which way do you think we will choose to finance it?

MR. LEPAWSKY: Obviously the principal one has already been indicated. We are going to increase our production and our national income to pay for a good deal of the defense effort that ordinarily would have had to be paid for some other way. For example, our national income this year will be about $90,000,000,000, will it not?

MR. SMITH: The national income right now is running at the rate of approximately $90,000,000,000 a year. The national income for last year was approximately $76,000,000,000.

MR. BLOCH: You say that this year the national income will be $90,000,000,000; last year, it was $76,000,000,000; and during the

next twelve months we are going to spend—actually spend—$17,000,000,000 for defense.[8] Well, that means that this year we must work much more than we worked last year.

MR. LEPAWSKY: In other words, one of the methods of paying the piper is actually to work harder, to increase the national income, and, as if by magic, to juggle these fiscal figures so as to secure payment for the national defense program.

Do you think a lot of people wonder whether this is merely a shifting of figures or an actual production of goods and wealth?

MR. SMITH: I think the important thing is the actual production of goods and wealth. After all, we fight wars with materials, and countries defend themselves with materials. The dollar sign is merely something that is attached.

MR. BLOCH: Still, it is a fact that we work harder and don't get as much or, rather, that we don't *get* more though we work much harder. How do you explain that, Lepawsky?

MR. LEPAWSKY: I was going to ask a similar question. One-third of our nation was supposed to be inadequately housed, inadequately clothed, and inadequately fed. Suddenly a defense program is thrown on the shoulders of the nation, and, strangely enough, nondefense expenditures, for housing and for private automobiles, for example, suddenly go up.

Now, Bloch, you as an economist ought to explain that to us.

MR. BLOCH: Well, it is true that prices will rise whenever you increase the amount of money which you pay out to individuals without simultaneously increasing the amount of goods which they can buy. That is a very normal phenomenon. We have to try to prevent individuals from spending too much in such a case.

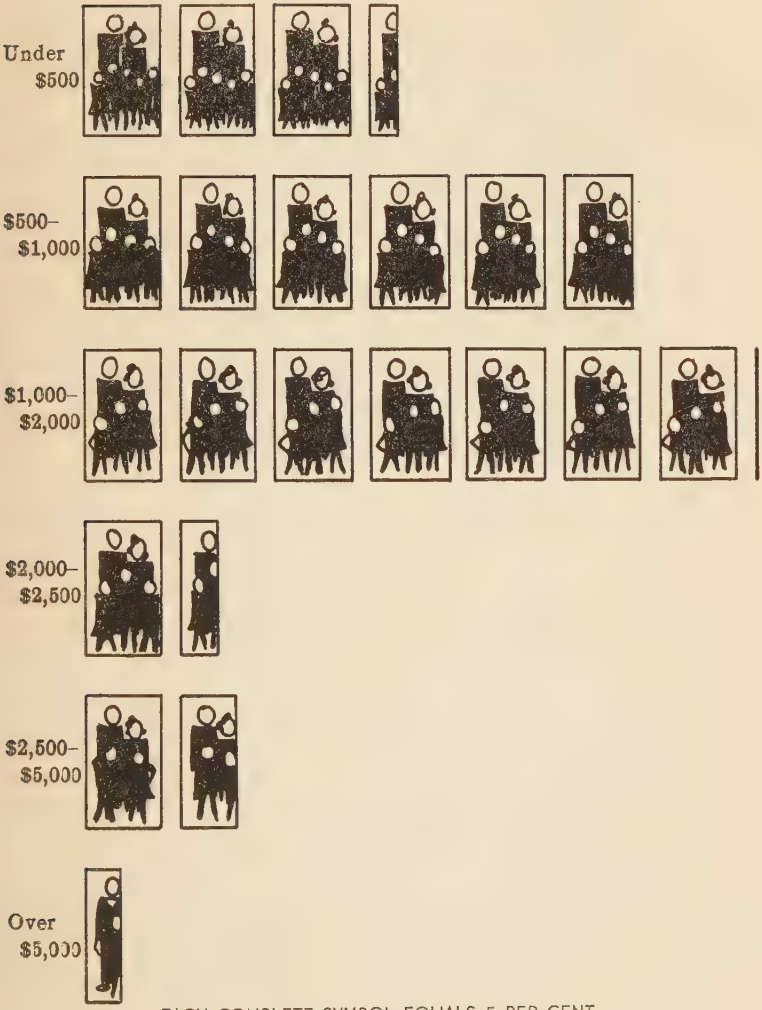
MR. SMITH: Isn't the point, after all, that we don't want the

---

[8] *National income figures are for calendar years and defense-spending figures refer to the fiscal year July 1, 1941, to June 30, 1942.*

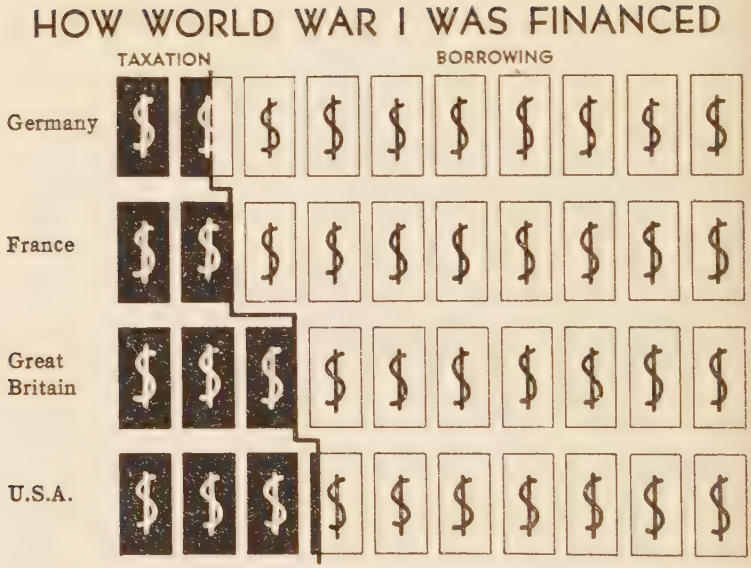
# WHERE TAXES COME FROM

Per Cent of Taxpayers in Six Income Groups




EACH COMPLETE SYMBOL EQUALS 5 PER CENT

1935-36 DATA FROM NATIONAL RESOURCES COMMITTEE, 1939



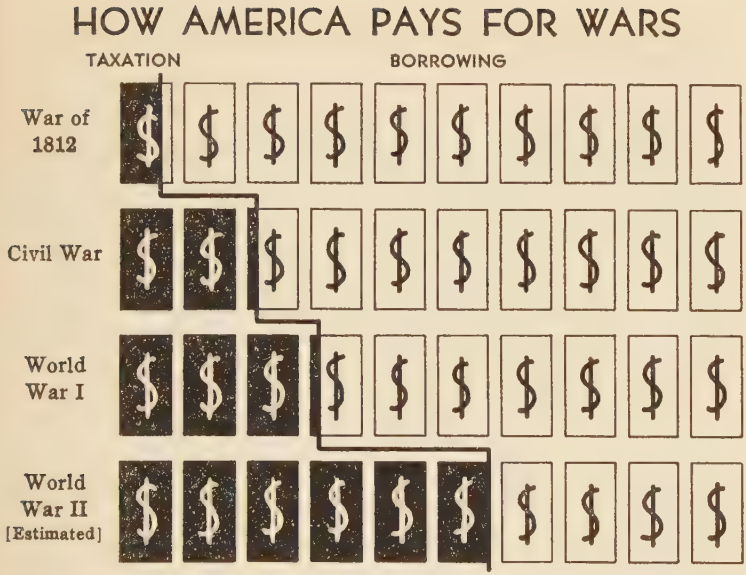

increased possibilities of consumption to conflict with the defense program?

MR. LEPAWSKY: The means we'll use to prevent that are, of course, very important. The two principal methods of paying this bill, familiar to all economists and students of finance, are taxation and borrowing.

VOICE: *I am just an average citizen. How are the new taxes going to affect me, gentlemen?*

MR. LEPAWSKY: That is a typical question we have had time and again in letters from listeners. What is the effect of the new federal tax bill on the average taxpayer?

MR. BLOCH: The man who earns $4,000 or more a year will pay about three times as much as before. But he is hardly to be considered the "average citizen" because that group comprises only about 10 per cent, or less, of the population as a whole. [*See illustration above.*]




Now, in Great Britain, for instance, married people who earn $2,000 a year have to pay $400 a year in taxes. That is much tougher, isn't it?

MR. LEPAWSKY: What about the higher brackets? Are they going to pay more than previously?

MR. BLOCH: The higher brackets will have to pay more, too.[9] Few people realize that, while the highest brackets in the United States pay approximately 80 per cent tax, in Britain they pay more than 90 per cent. In fact, hardly anybody in Britain today keeps

---

[9] *In the new tax bill, rates will be increased in all income brackets, although largest increases will be on incomes between $2,000 and $10,000 a year. Should the joint income-tax return for married people be made compulsory, it would affect only incomes above $4,000 a year, and it would result in particularly stiff increases for the very high incomes because it emphasizes the progressive nature of the income tax.*

much more than $50,000 from his annual income after deduction of income taxes.

MR. SMITH: What about the excise taxes in the tax bill?

MR. LEPAWSKY: There are several new ones in this present tax bill, Smith. There are excises laid on electric signs and washing machines; they have been doubled on automobiles, refrigerators, and radios. There have been excises laid on soft drinks, on furs, and on jewelry. There has been no special tax on ladies' fans, as there was back in 1918; but we have not used excise or sales taxes, as they are more popularly known, to the hilt in the present tax bill.

However, looking to the future, Smith, have you any comments about the use of sales taxes by the federal government in our next tax bill?

MR. SMITH: Well, as I understand it, in the present tax bill, taking the over-all figures, approximately one-fourth of the revenue expected will come from consumers' taxes, while, of the remaining three-quarters, about half will be divided between corporation taxes and individual income taxes.

MR. BLOCH: Isn't it true that our federal sales taxes hit very specific goods? They do not affect the goods which are generally used by the population as a whole.

A listener wrote to the ROUND TABLE that he would favor a sales tax which would exempt cornbread and molasses; but there are a good many more things than cornbread and molasses which are consumed by the common people and which we do not want to have taxed. The poorest of the poor should consume more instead of less, because we want a well-fed nation.

Lepawsky, you are director of the Federation of Tax Administrators. What is your impression of the effects which the federal tax program may have on the state and local systems?

MR. LEPAWSKY: Before we discuss state and local systems, Bloch, I would like to say that the surtaxes on the rich are higher and normal income taxes reach into much lower brackets than they

did in 1918. None of our rates begin to compare, as you have pointed out, with normal British taxes.

Now, as regards state and local governments, Smith, you have ideas on that, since you have been director of the state budget in Michigan as well as an expert in municipal government in that state.

MR. SMITH: I don't think the states should increase their tax revenue. They ought to live as far as possible within their present tax resources; and, as a matter of fact, with increasing national income, those taxes ought to gain greater yields. As a result, it seems to me, some of the states ought to expect surpluses. Those surpluses in turn might be invested in defense bonds.

MR. LEPAWSKY: I am glad you mentioned that, because I happened to be in the state of Washington some weeks ago, and the revenue commissioner of that state surprised me by saying he was investing $325,000 of the state's funds in defense bonds. He also brought to my attention the importance of regarding state and local revenues as an important part of our fiscal system since in ordinary times they spend about half of our tax money.

VOICE: *Will you please tell me why we have to be taxed so much? Why can't we borrow money? There is plenty of money in the banks, isn't there?*

MR. LEPAWSKY: Bloch is one of our experts on borrowing. Perhaps he can answer that question for us.

MR. BLOCH: I am of the opinion that taxation alone is not enough and that we *must* borrow and that we *may* borrow.

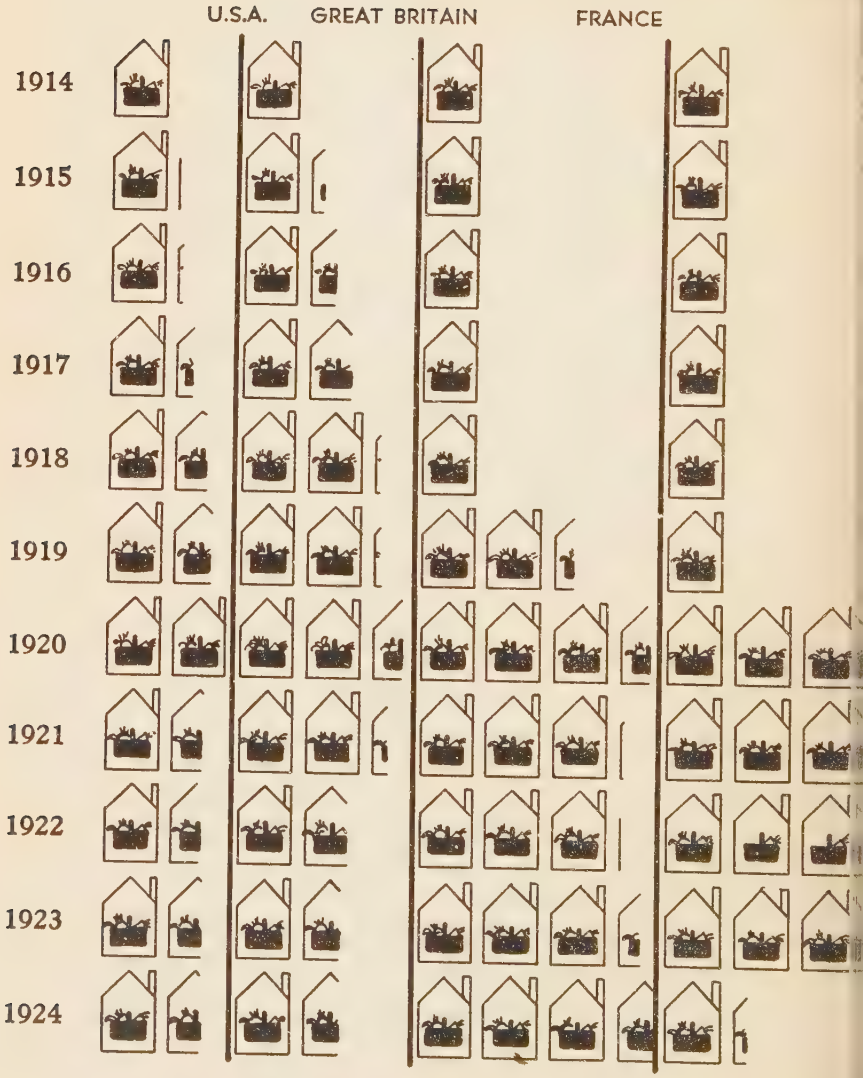
During the first World War there was a lot of borrowing. Our national debt increased from $1,000,000,000 at the beginning of the war to $25,500,000,000 at the end of the war. But during the first World War we did too much and the wrong kind of borrowing.

Today we are of the opinion that we have two kinds of borrowing—one bad and one good. Maybe Smith can tell us something about that.

MR. SMITH: I am not very much of an expert on that subject,

# INFLATION A

How Cost of Living Ro

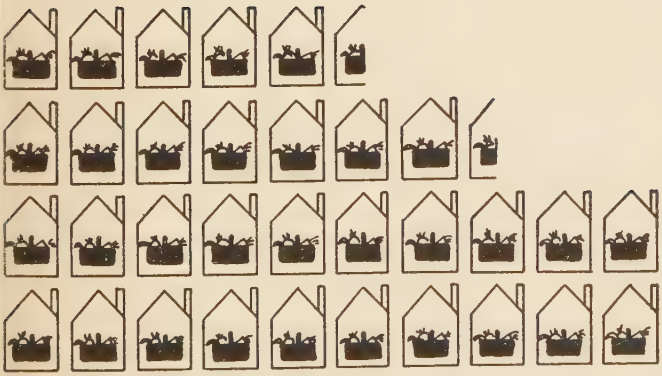



SOURCE: L

# WORLD WAR I

## mbol Equals 1914 Cost

GERMANY



THIS LINE SHOULD EXTEND FOR 13.5 INCHES→

THIS LINE SHOULD EXTEND FOR 1081.5 FEET→

but it seems to me that the program which the Treasury has inaugurated of selling defense bonds to absorb the money of persons with small savings is a very ideally designed program to pull off excess purchasing power.

MR. LEPAWSKY: The idea is, as some people have said, to impoverish the taxpayer so he cannot spend the money.

MR. SMITH: Certainly not! I wouldn't put it in that light.

MR. LEPAWSKY: In other words, the tax instalment certificate plan which you are talking about is really a plan to facilitate the payment of taxes by the small taxpayer. I think there are a lot of people listening to this University of Chicago ROUND TABLE who would be interested in knowing in detail about that plan.

MR. BLOCH: We certainly don't want to encourage our listeners to go to the banks to borrow money to buy bonds with, because that is purely inflationary and was done very largely during the last war. We want to encourage them to reduce their expenditures for nonessentials and to invest that money in savings bonds. They don't give up their income; they just defer the enjoyment of it.

MR. SMITH: In the first three months of the Treasury's program approximately $1,000,000,000 of defense bonds have been sold.

MR. BLOCH: That is pretty good, isn't it?

MR. LEPAWSKY: Many people wrote to us and indicated that they were afraid that borrowing was going too far in this country and that we would borrow ourselves into a situation known as "inflation." Can you tell us something about the limits of borrowing, so far as we have approached them at the present time?

MR. SMITH: I am afraid that that is a rather long subject. It seems to me that we have made economic gains, and very decided ones, through the use of borrowing, particularly during the depression.

Many people are worried about our national debt. Perhaps they

have a right to worry about it. On the other hand, I think they worry too much. Now the debt at the end of the first World War was approximately $25,500,000,000.

MR. LEPAWSKY: Not only that, but we started with a $1,000,000,000 debt in 1916.

MR. BLOCH: But it is not the absolute level of that debt about which we are worried. We are much more concerned about the annual burden that the citizens of this nation have to bear.

MR. SMITH: That is right. It is rather interesting, I think, to note that, when the national debt was $25,500,000,000, the carrying charges were approximately what they were at the time the debt was at $45,000,000,000—which makes that burden about the same.

MR. LEPAWSKY: I saw a banker on La Salle Street yesterday who told me he knew about those differences in the debt charges but was worried about that tremendous figure of $48,000,000,000 in federal debt, as compared with $1,000,000,000 at the beginning of the first World War.

MR. SMITH: I think the point is this: During the depression we had a low national income of $40,000,000,000. We have used borrowing with a reasonable degree of success in raising the standard of living of the whole country. It is my opinion that the economic potential, so to speak—our economic resources—would at this moment, when we face a situation in which we must defend ourselves, have been very much less if we had not adopted that policy.

MR. LEPAWSKY: Certainly there is some justification for that evaluation, but, Bloch, you saw the effects of extensive borrowing in Europe. I wonder whether you could tell us something about that?

MR. BLOCH: You know that in the last war France borrowed to pay 80 per cent of its war costs and financed only 20 per cent of the costs out of taxation.[10]

---

[10] *See illustration, page 10.*

I remember when I was a boy in a French border town how we used to brag, immediately after the war, that we had hundred-franc bills to pay our grocery bill with. Prices had risen about six times the previous level. The boys of the German town on the other side of the river used to outbrag us because they actually carried million-mark bills in their pockets, and with all that money they couldn't even buy a candy bar. That was when I lost my sense of proportion.[11]

MR. LEPAWSKY: That story reminds me of a question that was repeatedly asked in the correspondence from our listeners.

VOICE: *Isn't there a danger of inflation? If we have inflation, won't money lose all its value, as it did in Germany?*

MR. LEPAWSKY: I am not as much of an economist as you are, Bloch. I wonder whether you can tell us what inflation really is?

MR. SMITH: I'll tell you this in advance, Lepawsky: If you get six economists together and ask them what inflation is, you'll get about ten answers.

MR. LEPAWSKY: That has been my experience.

MR. BLOCH: My answer would be that inflation is a tremendous and *general* rise in prices—not the little rise in prices which we had so far in this crisis but the tremendous rise in prices we may get in the future if we are not wise.

MR. SMITH: Don't we have an essentially inflationary situation where the total of purchasing power continues to outrun our productive facilities?

MR. BLOCH: I am glad that you say "*continues* to outrun," because I am not worried so much about the inflation we have as I am about the inflation we may have in the future.

MR. LEPAWSKY: Aren't you thinking too much on the Con-

---

[11] *See illustration, pages 14–15.*

tinental pattern? It seems to me they are always fleeing from the mark or from the franc, and even today we hear stories of the German leaders trying to establish their funds in terms of dollars abroad. We have no such internal fear of our standard of value.

MR. BLOCH: You are quite right. The situation in France, even under the Blum government, was made very much worse because people got panicky, exported the francs, and speculated against the national currency. Americans won't do that because they don't have an opportunity to do it. That is a very simple matter, but nevertheless we may have a rise in prices. A rise in prices such as we had during the last war was bad enough to disturb our entire economic situation.

MR. LEPAWSKY: But in the sense in which most people think of inflation, and fear it, there is no possibility of fleeing from the dollar in the same sense in which that has happened abroad. Therefore, our standard is much safer than the European standards are.

MR. BLOCH: That is right; but the dollar may flee from us and become worthless.

MR. LEPAWSKY: How can we control some of these things?

MR. SMITH: I'd like to point out where we are with respect to prices at the present time. In general, the cost of living is only about 5.5 per cent above what it was at the beginning of this defense period. Now, in and of itself, that is not a very dangerous situation. As a matter of fact, speaking quite broadly, the whole situation, as of the moment, is about what it was in 1937.

MR. BLOCH: Still, a housewife gets very much worried when, within one month (as has actually happened), a pound of butter jumps in price from 30 to 42 cents. And I could give more examples —including silk stockings.

MR. LEPAWSKY: That is exactly why the President's message on this matter was so timely and why pending legislation that is now being drafted must be of great significance to all our listeners. The nation seems to be more aware now than it has been in the past

of the relationship between such things as price controls and priorities and taxation and borrowing. Isn't that your feeling, Smith?

MR. SMITH: Oh, I think so! Undoubtedly there is more discussion in the newspapers. There is more discussion at forums. I think there is generally a better understanding of fiscal problems.

MR. BLOCH: Isn't it quite fortunate that we can use the very methods which are applied to finance this war to reduce consumption and to prevent inflationary dangers?

MR. LEPAWSKY: The interrelationship of all those methods is dawning on the consciousness of all our leaders and our people much more than was the case at the time of the first World War. One of our ROUND TABLE correspondents warned us by saying, "I wish you wouldn't talk about inflation. It is going to frighten a lot of people."

MR. BLOCH: That is just the difference in a democratic country. In totalitarian countries the people are not even allowed to know the total figures of their budgets. Here in America we can get the director of the United States Budget to discuss these problems, and we can squeeze him like a lemon to get all the details out of him.

MR. LEPAWSKY: That is a pretty drastic type of squeezing. But, Smith, can you tell us something about what the Fiscal Division of the Bureau of the Budget is doing or thinking about these matters?

MR. SMITH: I don't want to bring it down to what *we* are concerned about but rather I think to the great many things the government is doing to institute controls at this time that will level off some of our fiscal problems. After all, we don't want to dip into another depression. I think sometimes you economists have been so interested and so in love with business-cycle studies that you might be disturbed if somehow or other a combination of governmental activity and business enterprise tended to smooth out some of these fiscal difficulties so that we'd scoot into a post-defense period without the fears and without the dislocations.

MR. LEPAWSKY: In other words, we now have a forecasting system in government such as we have in business, and there is great justification for that.

In this ROUND TABLE we have taken the defense program and put the dollar sign in front of it, so to speak, remembering, of course, that there are human and social and moral costs which we cannot measure. We have examined some of the fiscal and economic effects. We have analyzed some of the dislocations.

We have agreed that dislocations and controls are necessary during the emergency. We have, of course, differed a bit as to the wisdom of some of these schemes and controls, in the light of the effect upon our economic system, both before and after the war, for we have thought of the after-costs of defense as well as of the current costs of defense.

But upon one thing we are agreed, it seems. We are not merely sacrificing our luxuries and comforts and necessities and thus lowering our standard of living. We are actually raising it by defending democracy. Let us be willing to pay the bill, but let us also expect delivery of the goods.

## OBJECTIVE QUESTIONS FOR EXAMINATION

*The answers to the following questions may be found in the text of the broadcast, and page references are provided to assist in locating the answers.*

*

1. National defense expenditures (at the May, 1941, rate) amounted to how many thousand dollars a minute? Page 2.
2. Name two efforts at controlling the consumption of consumer goods which affect many millions of Americans. Page 3.
3. How much money had been authorized for defense on January 1, 1941? At the time of the broadcast this amount had been increased to what figure? Page 4.
4. How much did the United States spend for defense in the year ending June 30, 1941? How much will be spent during the next year, according to present estimates? Page 5.
5. The tax bill being considered by Congress at the time of the broadcast would draw what proportion of revenue from consumers' taxes and what proportion from income and corporation taxes? Page 12.
6. By encouraging small investors to buy defense bonds, the government hopes to accomplish what purpose, in addition to obtaining money? Page 16.
7. What was the amount of the public debt in 1914? After the war? At the present time? Page 17.
8. What change has occurred in the cost of living in the United States since the beginning of the defense program? Page 19.
9. What is inflation? Page 18.
10. What is the long-run purpose of controls and regulation according to the speakers? Page 20.

## QUESTIONS FOR ANALYSIS AND DISCUSSION

*The following questions of wider scope, intended for discussion, are suggested by the broadcast, and answers may be found in the literature on the subject listed in the section "Suggested Readings," found on page 24.*

*

1. Do you believe that the United States has launched an all-out defense program? In answering, consider the proportion of national income devoted to armaments by the United States, Great Britain, Canada, and Germany.
2. Compare American defense expenditures (in billions of dollars per year) with estimated annual expenditures by Germany. Do you believe the United States should increase its defense spending? Discuss.
3. Why do prices rise at a time like the present? What is the relation between higher prices and increased production and national income?
4. What proportion of the defense bill will probably be paid for by taxation? (See illustration, page 11.) In your opinion, should a larger or a smaller part of the defense expenditures be met by taxation? Discuss the effects of taxing the various income groups in terms of the revenue likely to be received. (See illustration, page 9.)
5. Do you think the states should increase their tax levies during a period of high national income? Why does Mr. Smith suggest that the states retain their present schedules? Discuss.
6. Define inflation. Do you believe there is any danger of inflation in the United States? Discuss this danger and its solution.

## SUGGESTED READINGS

"Billions for Defense," *Annals of the American Academy of Political and Social Science* (Philadelphia), March, 1941. *A group of technical articles, discussing the effect of defense upon the American economy.*

BLOCH, HENRI SIMON, "Borrowing for National Defense," *Taxes*, May, 1941.

BLOCH, H. S.; LANGE, O.; *et al.*, *Economic Mobilization.* Washington, D.C.: National Council on Public Affairs, 1940. *A specific analysis of economic mobilization with special attention to the problems of American defense.*

CLARK, JOHN M., "Instead of Inflation," *Survey Graphic*, August, 1941. *An advisory expert to various government agencies discusses the threat of inflation, what it would do to consumers' pocketbooks and standard of living, and how it can be controlled.*

HALEY, B. F., and WILLIAMS, J. H., "Federal Budget: Economic Consequences of Deficit Financing," *American Economic Review*, February, 1941. *A scholarly treatment of American financial problems, for the student who seeks to pursue the study of this subject farther.*

LEPAWSKY, ALBERT, "Paying the Bill for National Defense," *Taxes*, September, 1941.

MOULTON, HAROLD G., "Who Pays the Piper? Inflation Is Always a Part of a War Spree," *Nation's Business*, July, 1941. *The head of Brookings Institution (research organization) discusses the possibility of inflation as a result of defense-financing.*

NUGENT, ROLF, *Guns, Planes, and Your Pocketbook.* Public Affairs Pamphlet No. 59, 1941. *A lucid exposition of the progress of defense during its first year with a discussion of the future requirements for defense and their repercussions upon industry, labor, consumers, and taxpayers.*

PIGOU, A. C., *The Political Economy of War.* London: Macmillan & Co, 1941. *This book, first published in 1921, has been revised and republished by Macmillan. It is a recognized authoritative source on the theory of war finance.*

SMITH, HAROLD D. "National Defense Spending: 1940 and Beyond." A chapter in *National Defense and State Finance.* University, Ala.: Bureau of Public Administration, University of Alabama, 1941.

STEWART, MAXWELL S., *How Shall We Pay for Defense?* Public Affairs Pamphlet No. 52, 1941. *A brief overview of war-financing based largely upon the book by A. C. Pigou, listed above.*

"Tax Us, but Don't Rob Us," *Collier's*, June 7, 1941.

## ROUND TABLE SUBSCRIPTION ORDER FORM

Please send the University of Chicago ROUND TABLE for:

☐ One Year ($2.00) ☐ Six Months ($1.00)

Name.....

Address.....

City.....State.....

☐ I am enclosing the correct amount

☐ Please send me a bill

FOREIGN: ONE YEAR, $3.00; SIX MONTHS, $1.50

# The Listeners' Round Table . . . .

*Letters to the* ROUND TABLE *frequently contain interesting and illuminating sidelights on the subject matter discussed on the air. These comments are from letters received following the broadcast discussion of "Economic Consequences of a German Victory" July 27, 1941.*

*

## Food

These radio discussions are very timely and give the American people plenty of food for thought regarding the shape of things to come.

L. P., Illinois

*

## Disappointment

As usual on Sunday, my family and myself sat down to listen to your broadcast. Words cannot express our disappointment—even our utter disgust—at such an ill-chosen subject! Why, at a time like this, do you have to assume a German victory? Isn't that just the same subtle brand of propaganda the Nazis are spreading?

R. J. M., Maryland

*

## Why Not?

The main thing wrong with your discussion today was the underlying assumption that Hitler will be victorious. It is implicit in the topic which you used, "The Economic Consequences of a German Victory." And the summary at the end of the period emphasized the idea of a Hitler victory two or three times, and assumed that the Western Hemisphere could survive it.

Now, according to Professor Carl J. Friedrich's leading article in the June *Atlantic Monthly*, what the Nazis want to do, in order to poison our thinking, is to get us to debate just this question of whether or not we can do business with a victorious Hitler. For the major premise is that Hitler will be victorious. Very few people examine major premises. It is like the implication in the Nazi repetition of the word "annihilated" every time they speak of an advance into Russia.

As I understand it, England will never accept a Hitler victory, and we are lending aid to Britain in order that there will not *be* a Hitler victory. The underlying assumption in our debates ought to be "When Hitler is defeated" or "How Hitler will be defeated" or "Why Hitler must be defeated." Why not arrange a program on the economic consequences of a British victory? . . . .

J. G. E., Kansas

## Barter

The most dangerous single piece of German propaganda, and one, incidentally, which has been swallowed hook, line, and sinker by the intelligentsia of this country, is the idea that a government-controlled barter system can possibly be successful. Had not the war intervened, the whole German scheme of foreign trade would have collapsed ere now.

It is neither truthful nor objective to refer to German labor as "slave labor." It is cheap, forced labor, no doubt, but the pressure comes from the necessity to live. Slave labor does not receive wages. German labor does. I admit that these wages are paid in a currency worthless if Germany loses the war, but there is payment.

E. C. W., Florida

*

## Not Confused

May I congratulate the speakers on today's ROUND TABLE? We were really given information of value. Such discussions are informative and serve to clear up muddled ideas. . . . . Had today's subject been given to other speakers and made an argumentative discussion—as have others—I can imagine a good many listeners being more confused at the end than at the start. Very little is accomplished by argumentative discussions but much by the type of today.

C. S., Pennsylvania

*

## Low Countries

Although it may be entirely superfluous, may I call your attention to our disregard of Hitler's most potent weapon of mental destruction, his psychological warfare? A skeptic myself until the end, I have seen my father's country, The Netherlands, a democracy as true as ours, overrun by mechanical warfare in four days and subsequently mentally conquered by psychological warfare.

It is my opinion, based on numerous data, that the people of The Netherlands have by now been mentally coordinated (*gleichgeschaltet*) with the new order of the Third Reich, that they hate the British and desire early peace.

J. v. S., Pennsylvania

# TRANSCRIPT SUBSCRIPTIONS

ONE YEAR'S SUBSCRIPTION.....$2.00 SIX MONTHS'.....$1.00

FOR SINGLE COPIES OF THE BROADCASTS LISTED BELOW SEND TEN CENTS IN COIN TO THE UNIVERSITY OF CHICAGO ROUND TABLE, CHICAGO, ILLINOIS. ANY FIVE PAST OR FUTURE BROADCASTS, 25 CENTS.

**LISTS**

OF 1938–39 TRANSCRIPTS STILL IN PRINT WILL BE SENT UPON REQUEST. STUDENTS AND TEACHERS WILL FIND THESE ISSUES TO BE VALUABLE COMMENTARIES UPON EVENTS OF THE PERIOD.

Nos. **1940**

98. *The Jews*
101. *Tariff Walls*
104. *Is America's Economic Frontier Closed?*
105. *Must the World Unite?*
106. *Can We Protect America?*
111. *Where's That War Boom?*
113. *Blitzkrieg, May, 1940*
114. *America and the Peacemongers*
115. *Babies Cost Money*
117. *Have We Time to Think?*
119. *America's Capacity to Arm*
120. *Economic Union for the Americas*
121. *Civil Liberties and the Fifth Column*
122. *M-Day and America*
126. *What Really Happened at Havana?*
128. *Blitzkrieg on Britain*
129. *Should America Aid Britain?*
131. *Can Germany Conquer Latin America?*
132. *Conscript Wealth, Too?*
134. *Will Hitler Attack America Next?*
137. *Warmongers and Appeasers*
140. *World Revolution*
141. *Art and Our Warring World*
142. *The Soviet Union and America*
143. *Is Hitler Revolutionizing Britain?*
144. *Where Are Those 50,000 Planes?*
146. *1951: The Next Decade in Education*

Nos. **1941**

147. *More Aid to Britain Now?*
148. *Is This Our War?*
149. *Morale: First Line of Defense?*
150. *Can Capitalism Defend America?*
152. *Can the Americas Be Invaded?*
153. *Guns or Butter?*
154. *Dilemma in the Far East*
155. *How to Fight Nazi Propaganda*
156. *The Decline and Fall of the Roman Empire*
157. *Strikes and National Defense*
158. *Defense Economics*
159. *Should We Convoy to Britain?*
160. *Balkan Blitzkrieg*
161. *War Aims and Peace Aims*
162. *Which Road for America?*
163. *Lessons from Europe's War*
164. *The Effect of the Blitzkrieg on the Economic Order*
165. *Defense and America's Health*
166. *Roosevelt* vs. *Hitler*
167. *Polls and the Crisis*
168. *Where's Bunker Hill?*
169. *War against the Middle Classes?*
170. *The Crisis and Your Pocketbook*
171. *America and the German-Soviet War*
172. *Soviet Russia at War*
173. *Our Liberties: Are They in Danger?*
174. *Blueprint for Hemisphere Defense*
175. *Should America Clear the Seas of the Nazis?*
176. *Economic Consequences of a German Victory.* July 27

ALL ROUND TABLE TRANSCRIPTS CONTAIN ADDED FACTUAL MATERIAL IN THE FORM OF GRAPHS, MAPS, PICTOGRAPHS, FOOTNOTES, BIBLIOGRAPHIES, ETC.

# ROUND TABLE NETWORK

## 2:30 P.M. EASTERN DAYLIGHT SAVING TIME

| City | Call Letters | Kilo-cycles | City | Call Letters | Kilo-cycles |
|---|---|---|---|---|---|
| Boston, Mass. | WNAC | 1260 | Portland, Me. | WCSH | 970 |
| Buffalo, N.Y. | WBEN | 930 | Providence, R.I. | WJAR | 920 |
| New York, N.Y. | WEAF | 660 | Rochester, N.Y. | WHAM | 1180 |
| Philadelphia, Pa. | KYW | 1060 | Schenectady, N.Y. | WGY | 810 |
| Pittsburgh, Pa. | WCAE | 1250 | | | |

## 1:30 P.M. EASTERN STANDARD TIME

| | | | | | |
|---|---|---|---|---|---|
| Altoona, Pa. | WFBG | 1340 | Jacksonville, Fla. | WJAX | 930 |
| Asheville, N.C. | WISE | 1400 | Johnstown, Pa. | WJAC | 1400 |
| Atlanta, Ga. | WSB | 750 | Lakeland, Fla. | WLAK | 1340 |
| Charleston, S.C. | WTMA | 1250 | Lima, Ohio | WLOK | 1240 |
| Charlotte, N.C. | WSOC | 1240 | Miami, Fla. | WIOD | 610 |
| Cleveland, Ohio | WTAM | 1100 | Norfolk, Va. | WTAR | 790 |
| Columbia, S.C. | WIS | 560 | Raleigh, N.C. | WPTF | 680 |
| Columbus, Ohio | WCOL | 1230 | Richmond, Va. | WMBG | 1380 |
| Dayton, Ohio | WING | 1410 | Savannah, Ga. | WSAV | 1340 |
| Detroit, Mich. | WWJ | 950 | Springfield, Ohio | WIZE | 1340 |
| Florence, S.C. | WOLS | 1230 | Tampa, Fla. | WFLA | 970 |
| Grand Rapids, Mich. | WOOD | 1300 | Washington, D.C. | WRC | 980 |
| Greenville, S.C. | WFBC | 1330 | Winston-Salem, N.C. | WSJS | 600 |

## 1:30 P.M. CENTRAL DAYLIGHT SAVING TIME

| | | | | | |
|---|---|---|---|---|---|
| Chicago, Ill. | WMAQ | 670 | Memphis, Tenn. | WMC | 790 |
| Fort Wayne, Ind. | WGL | 1450 | | | |

## 12:30 P.M. CENTRAL STANDARD TIME

| | | | | | |
|---|---|---|---|---|---|
| Amarillo, Texas | KGNC | 1440 | Milwaukee, Wis. | WTMJ | 620 |
| Birmingham, Ala. | WBRC | 960 | Minneapolis and St. Paul, Minn. | KSTP | 1500 |
| Bismarck, N.D. | KFYR | 550 | New Orleans, La. | WSMB | 1350 |
| Bristol, Tenn. | WOPI | 1490 | Oklahoma City, Okla. | WKY | 930 |
| Dallas-Fort Worth, Tex. | WBAP | 820 | Omaha, Neb. | WOW | 590 |
| Des Moines, Iowa | WHO | 1040 | Rochester, Minn. | KROC | 1340 |
| El Paso, Texas | KTSM | 1380 | St. Cloud, Minn. | KFAM | 1450 |
| Evansville, Ind. | WGBF | 1280 | St. Louis, Mo. | KSD | 550 |
| Fargo, N.D. | WDAY | 970 | San Antonio, Texas | WOAI | 1200 |
| Jackson, Miss. | WJDX | 1300 | Shreveport, La. | KTBS | 1480 |
| Kansas City, Mo. | WDAF | 610 | Springfield, Mo. | KGBX | 1260 |
| Kingsport, Tenn. | WKPT | 1400 | Terre Haute, Ind. | WBOW | 1230 |
| Little Rock, Ark. | KARK | 920 | Tulsa, Okla. | KVOO | 1170 |
| Louisville, Ky. | WAVE | 970 | Wichita, Kans. | KANS | 1240 |
| Mankato, Minn. | KYSM | 1230 | | | |

## 11:30 A.M. MOUNTAIN STANDARD TIME

| | | | | | |
|---|---|---|---|---|---|
| Albuquerque, N.M. | KOB | 1030 | Phoenix, Ariz. | KTAR | 620 |
| Boise, Ida. | KIDO | 1380 | Pocatello, Ida. | KSEI | 930 |
| Bozeman, Mont. | KRBM | 1450 | Salt Lake City, Utah | KDYL | 1320 |
| Butte, Mont. | KGIR | 1370 | Tucson, Ariz. | KVOA | 1290 |
| Denver, Colo. | KOA | 850 | Twin Falls, Ida. | KTFI | 1270 |
| Helena, Mont. | KPFA | 1240 | | | |

## 10:30 A.M. PACIFIC STANDARD TIME

| | | | | | |
|---|---|---|---|---|---|
| Fresno, Cal. | KMJ | 580 | Sacramento, Cal. | KFBK | 1530 |
| Los Angeles, Cal. | KFI | 640 | San Francisco, Cal. | KPO | 680 |
| Medford, Ore. | KMED | 1440 | Seattle, Wash. | KOMO | 950 |
| Portland, Ore. | KGW | 620 | Spokane, Wash. | KHQ | 590 |

## STATIONS CARRYING ROUND TABLE BY TRANSCRIPTION

Cincinnati, Ohio WSAI 1360 10:30 P.M. E.S.T.

# JAPAN: SETTING SUN?

•

A UNIVERSITY OF CHICAGO ROUND TABLE BROADCAST

•

## AUGUST 10, 1941

•

**TYLER DENNET,** Former Historical Adviser to the State Department; Former President of Williams College

**HARLEY F. MACNAIR,** Professor of Far Eastern History and Institutions, University of Chicago

**NATHANIEL PEFFER,** Professor of International Relations, Columbia University

•

## SUGGESTED READINGS

DENNET, TYLER, "Japan's Monroe Doctrine Appraised," *Annals of the American Academy of Political and Social Science,* May, 1941.

SNOW, EDGAR, "Showdown in the Pacific," *Saturday Evening Post,* May 31, 1941.

———, "How America Can Take the Offensive," *Fortune,* June, 1941.

YOUNG, J. R., "Inside Japan," *Atlantic,* February, 1941. *Reader's Digest,* July, 1941.

[PRINTED IN U.S.A.]